TRI CENTER COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

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Tri Center Community School District

Officials

<u>Name</u>	<u>Title</u>	Term <u>Expires</u>
	Board of Education (Before September 2006 Election)	
Jim Fischer	President	2006
Kirk Nielsen	Vice-President	2008
Mike Pettit Nancy Cohen Randy Morriss	Board Member Board Member Board Member Board of Education	2007 2006 2007
	(After September 2006 Election)	
Mike Pettit	President	2007
Kirk Nielsen Randy Morriss	Vice-President(Resigned) Vice-President	2008 2007
Duane Barrier Mike Eikenberry Kim Sullivan	Board Member Board Member Board Member(Appointed)	2009 2009 2008
	School Officials	
Brett Nanninga Rhonda McKenzie	Superintendent District Secretary	2007 2007
Scott Rogers, Peters Law Firm	Attorney	2007
Gruhn Law Firm	Attorney	2007

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Tri Center Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Tri Center Community School District, Neola, Iowa as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Tri Center Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 14, 2008 on our consideration of Tri Center Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 36 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tri Center Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

No/to, CornMAN & Johnson, P.C.

January 14, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Tri Center Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,660,229 in fiscal 2006 to \$6,054,034 in fiscal 2007, while General Fund expenditures increased from \$6,051,768 in fiscal 2006 to \$6,538,124 in fiscal 2007. This resulted in a decrease in the District's General Fund balance from \$323,876 in fiscal 2006 to a deficit balance of \$96,100 in fiscal 2007, a 129.7% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in local, state and federal sources in fiscal 2007. The increase in expenditures was due primarily to increases in salaries and benefits as well as increases in expenses funded by grants received by the District for fiscal 2007.
- The cash deficits the District has is attributed to not levying for cash, higher fuel and energy
 costs, increases in salary and benefits for District employees and rising costs of technology.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Tri Center Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Tri Center Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Tri Center Community School District acts solely as an agent or custodial for the benefit of those outside of the District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

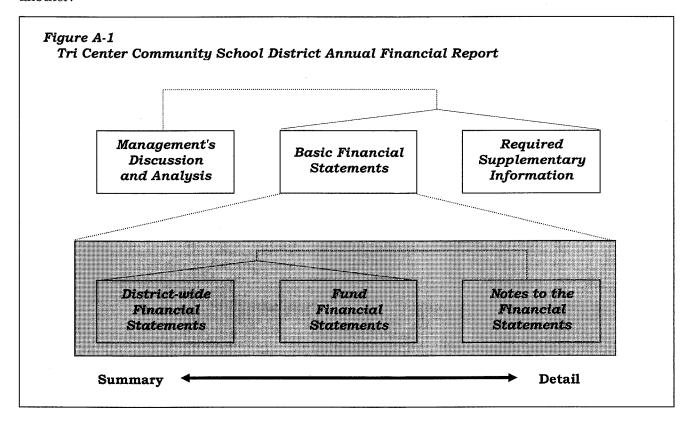


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

	Government-wide		Fund Statements				
	Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds			
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies			
Required financial statements	Statement of net assetsStatement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of revenues, expenses and changes in net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets			
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus			
Type of asset/ liability information All assets and liabilities, both financial and capital, short-term and long-term term d second		Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long term; funds do not currently contain capital assets, although they can			
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid			

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- Business-type activities: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

1) Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) Fiduciary funds: The District is a trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust funds.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

Condensed Statement of Net Assets										
		Governn		Busine	ss-type	To	Total			
		Activi	ties	Acti	vities	School	Change			
		2007	2006	2007	2006	2007	2006	2006-07		
Current and other assets	\$	4,147,761	2,675,558	59,594	37,360	4,207,355	2,712,918	55.09%		
Capital assets		5,069,204	5,194,434	50,613	56,283	5,119,817	5,250,717	-2.49%		
Total assets		9,216,965	7,869,992	110,207	93,643	9,327,172	7,963,635	17.12%		
Long-term obligations		1,915,599	2,205,000	0	0	1,915,599	2,205,000	-13.12%		
Other liabilities		4,039,458	2,235,255	23,964	4,623	4,063,422	2,239,878	81.41%		
Total liabilities		5,955,057	4,440,255	23,964	4,623	5,979,021	4,444,878	34.51%		
Net assets: Invested in capital assets,										
net of related debt		3,153,605	3,054,931	50,613	56,283	3,204,218	3,111,214	2,99%		
Restricted		307,052	103,396	0	0	307,052	103,396	196.97%		
Unrestricted	****	(198,749)	271,410	35,630	32,737	(163,119)	304,147	-153.63%		
Total net assets	\$	3,261,908	3,429,737	86,243	89,020	3,348,151	3,518,757	-4.85%		

The District's combined net assets decreased by 4.85%, or \$170,606, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$203,656, or 196.97% over the prior year. The increase in restricted fund balance is mainly attributable to the increase in fund balance in the Capital Projects Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$467,266, or 153.63%. This decrease in unrestricted net assets was a result of the District's decrease in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to the year ended June 30, 2006.

			Figure A-4 ges of Net Asse	ts				
		Goveri Acti	Busines Activ		To School	Total Change		
Revenues:	_	2007	2006	2007	2006	2007	2006	2006-07
Program revenues:								
Charges for services Operating grants and contributions and	\$	689,873	837,944	238,245	216,111	928,118	1,054,055	-11.95%
restricted interest General revenues:		817,435	653,105	118,348	112,352	935,783	765,457	22.25%
Property tax Local option sales and services tax		1,895,487 528,291		0	0	-,,,		
Unrestricted state grants		3,052,932	2,899,900	0	ő	3,052,932	,	
Other		217,013		312	376	217,325	_,,	1079.38%
Total revenues		7,201,031	6,807,369	356,905	328,839	7,557,936		
Program expenses: Governmental activities: Instructional								
Support services		4,267,820	- , , ,	0	0	4,267,820	3,900,257	9.42%
Non-instructional programs		2,525,470	2,336,595	0	0	2,525,470	2,336,595	8.08%
Other expenses		13,536	5,815	359,682	354,931	373,218	360,746	3.46%
Total expenses		561,518	498,549	0	0	561,518	498,549	12.63%
	-	7,368,344	6,741,216	359,682	354,931	7,728,026	7,096,147	8.90%
Change in net assets before capital contributions		(167,313)	66,153	(2,777)	(26,092)	(170,090)	40,061	-524.58%
Other financing sources(uses), net		(516)	0	0	21,399	(516)	21,399	100.00%
Change in net assets after capital contributions		(167,829)	66,153	(2,777)	(4,693)	(170,606)		-377.59%
Beginning net assets		3,429,737	3,363,584	89,020	93,713	,	3,457,297	1.78%
Ending net assets	\$	3,261,908	3,429,737	86,243	89,020	3,348,151		-4.85%

Property tax and unrestricted state grants account for 68.72% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.91% of the revenue from business type activities.

The District's total revenues were approximately \$7.56 million of which \$7.20 million was for governmental activities and approximately \$0.36 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.91% increase in revenues and a 8.90% increase in expenses. Unrestricted state grants increased \$153,032 and property tax increased \$56,863 to fund increases in expenditures. The increases in expenses related to increases in the negotiated salary and benefits as well as increases in expenses funded by grants received by the District.

Governmental Activities

Revenues for governmental activities were \$7,201,031 and expenses were \$7,368,344. In a difficult budget year, the District exceeded the amount budgeted in the support services function during the fiscal 2007 year.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	 Total and Ne	i Cost of Gove	ernmental Activiti	es		
	 Tota	I Cost of Servi	ices	Ne	et Cost of Serv	ices
Instruction	 2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction Support services	\$ 4,267,820	3,900,257	9.42%	3,005,040	2,634,470	14.07%
Non-instructional programs	2,525,470 13,536	2,336,595 5,815	8.08%	2,519,202	2,330,958	8.08%
Other expenses	561,518	498,549	132.78% 12.63%	13,536	5,815	132.78%
Totals	\$ 7,368,344	6,741,216	9.30%	323,258 5,861,036	278,924 5,250,167	15.89%

- The cost financed by users of the District's programs was \$689,873.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$817,435.
- The net cost of governmental activities was financed with \$1,895,487 in property tax, \$528,291 in local option sales and services tax, \$3,052,932 in unrestricted state grants and \$22,796 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$356,905 and expenses were \$359,682. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Tri Center Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$115,023, below last year's ending fund balances of a \$446,249. However, the primary reason for the decrease in combined fund balances in fiscal 2007 is due to a decrease in the General Fund balance of \$419,976 due to increases in salary costs.

Governmental Fund Highlights

- The District's declining General Fund financial position is the product of many factors.
 Increases in local, state and federal sources increased as compared to fiscal 2006. However,
 the increase in revenues was more than offset by the District's increase in General Fund
 expenditures, requiring the District to use carryover fund balance to meet its financial
 obligations during the year.
- The Capital Projects Fund balance increased from \$58,783 in fiscal 2006 to \$164,068 in fiscal 2007. This increase was caused by the District reducing fund expenditures during 2007 as compared to 2006.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from a deficit \$16,634 in fiscal 2006 to a deficit \$54,005 in fiscal 2007. This decrease was due the increase in expenditures being greater than the increase in revenues during 2007.

Proprietary Fund Highlights

The Proprietary Funds net assets decreased from \$89,020 at June 30, 2006 to \$86,243 at June 30, 2007, representing a decrease of 3.12%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$185,895 less than budgeted revenues, a variance of 2.4%. The most significant variance resulted from the District receiving less in federal sources than originally anticipated.

Initially, total disbursements were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget disbursements at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual disbursements for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services function.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$5,119,817, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audiovisual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 2.56% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$345,074.

The original cost of the District's capital assets was \$8,567,366. Governmental funds account for \$8,472,299 with the remainder of \$95,067 in the Proprietary funds.

The largest change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$1,147,598 at June 30, 2006, compared to \$1,079,363 reported at June 30, 2007. This decrease is the result of depreciation expense taken during fiscal 2007.

Figure A-6

	 Governn	nental	Business-type		Tota	ıl	Total
	Activities		Activities		School D	Change	
	 2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 12,669	12,669	0	0	12,669	12,669	0.00%
Buildings	3,193,612	3,226,386	0	0	3,193,612	3,226,386	-1.03%
Land improvements	1,079,363	1,147,598	0	0	1,079,363	1,147,598	-6.32%
Machinery and equipment	783,560	807,781	50,613	56,283	834,173	864,064	-3.58%
Total	\$ 5,069,204	5,194,434	50,613	56,283	5,119,817	5,250,717	-2.56%

Long-Term Debt

At June 30, 2007, the District had \$1,915,599 in general obligation and other long-term debt outstanding. This represents a decrease of 13.1% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding general obligation bonds of \$1,455,000 at June 30, 2007.

The District had outstanding revenue bonds of \$390,000 at June 30, 2007.

The District had a technology equipment lease payable of \$70,599 at June 30, 2007.

Figure A-7
Outstanding Long-Term Obligations

	Total Scho	Total	
	 2007	2006	Change
General obligation bonds	\$ 1,455,000	1,605,000	-9.3%
Revenue bond anticipation notes	0	600,000	-100.0%
Revenue bonds	390,000	0	100.0%
Equipment lease	70,599	0	100.0%
Totals	\$ 1,915,599	2,205,000	-13.1%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The teachers union bargaining increase was 5% and the insurance costs increase was 5.25%
- The District increased its Management levy to pay for increase costs of liability insurance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rhonda McKenzie, Business Manager, Tri Center Community School District, 33980 310th Street, Neola, Iowa, 51559.

BASIC FINANCIAL STATEMENTS

TRI CENTER COMMUNITY SCHOOL DISTRICT STATEMENT OF NET ASSETS JUNE 30, 2007

	Governmental	1 I	9
ASSETS	Activities	Activities	Total
Cash and pooled investments:			
ISCAP(Note 4)			
Other	\$ 1,068,309	0	1,068,309
Receivables:	530,711	32 , 127	562 , 838
Property tax:			
Delinquent			
Succeeding year	24,884	0	24,884
Accrued ISCAP interest (Note 4)	2,274,056	0	2,274,056
Due from other governments	13,627	0	13,627
Inventories	236,174	0	236,174
Capital assets, net of accumulated	. 0	27,467	27,467
depreciation (Note 5)			
TOTAL ASSETS	5,069,204	50,613	5,119,817
	9,216,965	110,207	9,327,172
LIABILITIES			
Accounts payable			
Salaries and benefits payable	68 , 523	0	68,523
ISCAP warrants payable (Note 4)	600,164	19,466	619,630
ISCAP accrued interest payable (Note 4)	1,070,000	0	1,070,000
ISCAP unamortized premium	12,056	0	12,056
Accrued interest payable	7,939	0	7,939
Deferred revenue:	6 , 720	0	6,720
Succeeding year property tax			·
Other	2,274,056	0	2,274,056
Long-term liabilities(Note 6):	0	4,498	4,498
Portion due within one year:			
General obligation bonds payable			
Revenue bonds payable	160,000	0	160,000
Equipment lease payable	65,000	0	65,000
Portion due after one year:	70,599	0	70,599
General obligation bonds payable			
Revenue bonds payable	1,295,000	0	1,295,000
TOTAL LIABILITIES	325,000	0	325,000
42:00:10:11:10	5,955,057	23,964	5,979,021
NET ASSETS			
Invested in capital assets, net of			
related debt			
Restricted for:	3,153,605	50,613	3,204,218
Talented and gifted			
Market factor	35,890	0	35,890
Additional teacher contract day	5,354	0	5,354
Management levy	680	0	680
Capital projects	55,978	0	55 , 978
Debt service	164,068	0	164,068
Other special revenue purposes	2,817	0	2,817
Unrestricted	42,265	0	42,265
TOTAL NET ASSETS	(198,749)	35 , 630	(163,119)
	\$ 3,261,908	86,243	3,348,151

TRI CENTER COMMUNITY SCHOOL DISTRICT STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2007

Charges	17	Net (Expense) Revenue			
Charges	and Changes in Net A				
Functions/Programs Covernmental activities: Instruction: Regular instruction					
Expenses Services Interest Activities Activitie		_			
Content Cont	ype				
Regular instruction	vities	s Total			
Regular instruction					
Special instruction 632,454 81,721 36,908 (513,825) Other instruction 632,454 81,721 36,908 (513,825) Other instruction 638,710 119,631 16,474 (502,605)					
Special Instruction					
Other instruction 638,710 119,631 16,474 (502,605) 4,267,820 689,873 572,907 (3,005,040) Support services:	0	(1,988,610			
Support services: Student services: Student services Student service Student services Stude	0	(513,825			
Support services: Student services: 196,163 0 0 (196,163) Adminstraction services 846,878 0 0 0 (846,878) Operation and maintenance of plant services 699,913 0 0 (699,913) Transportation services 559,356 0 6,268 (553,088) Transportation services 559,356 0 6,268 (553,088) Non-instructional programs: Food service programs 7,198 0 0 (7,198) Community service operations 6,338 0 0 (7,198) Community service operations 69,609 0 0 (7,198) Community service portains 69,609 0 0 (69,609) AEA flowthrough 238,260 0 238,260 0 (78,952) AEA flowthrough 238,260 0 238,260 (74,697) Depreciation (unallocated)* 174,697 0 238,260 (323,258) Total governmental activities 7,368,344 689,873 817,435 (5,861,036) Business-Type activities: Non-instructional programs: Non-instructional programs: Notation services 359,682 238,245 118,348 0 (3,40) State of the service 151,482 Community service 151,482 Community service 151,482 Community service 151,482 Local option sales and services 1752,991 Determined the service 151,482 Local option sales and services 1752,991 Direstricted state grants 1751,492 Transfers 151,482	0	(502,605			
Student services 196,163 0 0 0 (223,160)	0	(3,005,040			
Instructional staff services					
Instructional staff services					
Administration services 846,878 0 0 0 (196,163) Operation and maintenance of plant services 699,913 0 0 (699,913) Transportation services 559,356 0 6,268 (2519,202) Non-instructional programs: Food service programs 7,198 0 0 (7,198) Community service operations 6,338 0 0 0 (69,388) Other expenditures: Facilities acquisitions 69,609 0 0 (69,609) Long-term debt interest 78,952 0 0 (78,952) AEA flowthrough 238,260 0 238,260 0 (78,952) AEA flowthrough 238,260 0 238,260 (323,258) Total governmental activities 7,368,344 689,873 817,435 (5,861,036) Business-Type activities: Non-instructional programs: Nutrition services 359,682 238,245 118,348 0 (3,036) Social \$7,728,026 928,118 935,783 (5,861,036) (3,036) Federal Revenues & Transfers: Property tax levied for: General Purposes Debt service \$1,695,817 Eactivities 151,482 Capital outlay Local option sales and services Unrestricted investment earnings Other Transfers (516)	0	(223, 160			
Operation and maintenance of plant services of plant services (599,913) 0 0 (699,913) Transportation services (559,356) 0 6,268 (553,088) 2,552,470 0 6,268 (2,519,202) Non-instructional programs:	0	(196, 163			
of plant services 699,913 0 0 (699,913) Transportation services 559,356 0 6,268 (553,088) 2,525,470 0 6,268 (2,519,202) Non-instructional programs: Food service programs 7,198 0 0 0 (7,198) Community service operations 6,338 0 0 0 (65,338) Other expenditures: Facilities acquisitions 69,609 0 0 (69,609) Long-term debt interest 78,952 0 0 0 (78,952) ABA flowthrough 238,260 0 238,260 0 Depreciation(unallocated)* 174,697 0 0 (174,697) Total governmental activities 7,368,344 689,873 817,435 (5,861,036) Susiness-Type activities: Non-instructional programs: Nutrition services 759,682 238,245 118,348 0 (3,760) Total business-type activities 7,728,026 928,118 935,783 (5,861,036) (3,760) Seneral Revenues & Transfers: Froperty tax levied for: General purposes Debt service	0	(846,878			
Transportation services 559,356 0 6,268 (553,088) 2,552,470 0 6,268 (553,088) 2,525,470 0 6,268 (2,519,202) Non-instructional programs: 7,198 0 0 0 (7,198) Community service operations 6,338 0 0 0 (6,338) Other expenditures: 13,536 0 0 0 (13,536) The expenditures: 69,609 0 0 (69,609) Long-term debt interest 78,952 0 0 (78,952) ARA flowthrough 238,260 0 238,260 0 (78,952) ARA flowthrough 238,260 0 238,260 0 (174,697) Total governmental activities 7,368,344 689,873 817,435 (5,861,036) Business-Type activities: Non-instructional programs: Nutrition services Total business-type activities 359,682 238,245 118,348 0 (3,058) Total business-type activities 57,728,026 928,118 935,783 (5,861,036) (3,058) Business-Type activities 57,728,02	O	(040,878			
Non-instructional programs: Food service programs 7,198	^	4600 01-			
Non-instructional programs 2,525,470 0 6,268 (2,519,202)	0	(699,913			
Food service programs 7,198 0 0 0 (7,198) Community service operations 6,338 0 0 0 (6,338) Other expenditures: Facilities acquisitions 69,609 0 0 (69,609) Long-term debt interest 78,952 0 0 0 (78,952) AEA flowthrough 238,260 0 238,260 0 Depreciation(unallocated)* 174,697 0 0 0 (174,697) Total governmental activities 7,368,344 689,873 817,435 (5,861,036) Business-Type activities: Non-instructional programs: Nutrition services 359,682 238,245 118,348 0 (3,600) Total business-type activities 359,682 238,245 118,348 0 (3,600) Cotal \$7,728,026 928,118 935,783 (5,861,036) (3,600) Cotal option sales and services Unrestricted state grants Unrestricted investment earnings Other 194,217 Transfers (516)	0	(553,088			
Community service operations 6,338 0 0 (7,198) 13,536 0 0 (6,338) Other expenditures: Facilities acquisitions 69,609 0 0 (69,609) Long-term debt interest 78,952 0 0 (78,952) AEA flowthrough 238,260 0 238,260 0 Depreciation(unallocated)* 174,697 0 0 (174,697) Total governmental activities 7,368,344 689,873 817,435 (5,861,036) Business-Type activities: Non-instructional programs: Nutrition services 359,682 238,245 118,348 0 (3,735) Total business-type activities 359,682 238,245 118,348 0 (3,735) Otal \$7,728,026 928,118 935,783 (5,861,036) (3,735) Cotal \$7,728,026 928,118 935,783 (5,861,036) (3,735)	0	(2,519,202			
Community service operations 6,338 0 0 0 (7,198) Other expenditures: Facilities acquisitions 69,609 0 0 (69,609) Long-term debt interest 78,952 0 0 0 (78,952) AEA flowthrough 238,260 0 238,260 0 0 (78,952) AEA flowthrough 238,260 0 238,260 0 (78,952) AEA flowthrough 67,518 0 238,260 (323,258) Total governmental activities 7,368,344 689,873 817,435 (5,861,036) Business-Type activities: Non-instructional programs: Nutrition services 359,682 238,245 118,348 0 (3,728) Total business-type activities 359,682 238,245 118,348 0 (3,728) Otal \$7,728,026 928,118 935,783 (5,861,036) (3,728) Eneral Revenues & Transfers: Property tax levied for: General purposes 9 Debt service \$1,695,817 Capital outlay 48,188 Unrestricted state grants 59,052,932 Unrestricted investment earnings Other 194,217 Transfers (516)					
Other expenditures: Facilities acquisitions Long-term debt interest AEA flowthrough Depreciation(unallocated)* Total governmental activities Susiness-Type activities: Non-instructional programs: Nutrition services Total business-type activities Total business-type activities Total business-type activities Foreral Revenues & Transfers: Property tax levied for: General purposes Debt service Capital outlay Local option sales and services Unrestricted investment earnings Other Transfers 13,536 0 0 0 (6,338) 0 (6,6338) 0 (78,952) 0 (174,697) 0	0	(7,198)			
Other expenditures: Facilities acquisitions Long-term debt interest AEA flowthrough Depreciation(unallocated)* Total governmental activities Non-instructional programs: Nutrition services Total business-type activities Total business-type activities Total business-type activities Total business-type activities Facilities acquisitions AEA flowthrough AEA flowthro	0	(6,338)			
Facilities acquisitions 69,609 0 0 (69,609) Long-term debt interest 78,952 0 0 0 (78,952) AEA flowthrough 238,260 0 238,260 0 Depreciation(unallocated)* 174,697 0 0 (174,697) Total governmental activities 7,368,344 689,873 817,435 (5,861,036) Business-Type activities: Non-instructional programs: Nutrition services 359,682 238,245 118,348 0 (3,700) Total business-type activities 359,682 238,245 118,348 0 (3,700) Business-Type activities: Non-instructional programs: Nutrition services 359,682 238,245 118,348 0 (3,700) Total business-type activities 57,728,026 928,118 935,783 (5,861,036) (3,700) Business-Type activities: Non-instructional programs: Nutrition services 359,682 238,245 118,348 0 (3,700) Total business-type activities 57,728,026 928,118 935,783 (5,861,036) (3,700) Business-Type activities: Non-instructional programs: Nutrition services 359,682 238,245 118,348 0 (3,700) Total business-type activities 57,728,026 928,118 935,783 (5,861,036) (3,700) Business-Type activities: Non-instructional programs: Nutrition services 359,682 238,245 118,348 0 (3,700) Business-Type activities: Non-instructional programs: Nutrition services 359,682 238,245 118,348 0 (3,700) Business-Type activities: Non-instructional programs: Nutrition services 359,682 238,245 118,348 0 (3,700) Business-Type activities: Non-instructional programs: Nutrition services 359,682 238,245 118,348 0 (3,700) Business-Type activities: Non-instructional programs: Nutrition services 359,682 238,245 118,348 0 (3,700) Business-Type activities 20,880,873 817,435 (5,861,036) Business-Type act	0	(13,536)			
Long-term debt interest 78,952 0 0 (69,609) AEA flowthrough 238,260 0 238,260 0 Depreciation(unallocated)* 174,697 0 0 (174,697) Total governmental activities 7,368,344 689,873 817,435 (5,861,036) Business-Type activities: Non-instructional programs: Nutrition services 359,682 238,245 118,348 0 (3,7361) Total business-type activities 359,682 238,245 118,348 0 (3,7361) Otal \$7,728,026 928,118 935,783 (5,861,036) (3,7361) Depreciation(unallocated)* 7,368,344 689,873 817,435 (5,861,036) Business-Type activities: Nutrition services 359,682 238,245 118,348 0 (3,7361) Otal \$7,728,026 928,118 935,783 (5,861,036) (3,7361) Depreciation(unallocated)* 7,368,344 689,873 817,435 (5,861,036) Business-Type activities: Nutrition services 359,682 238,245 118,348 0 (3,7361) Depreciation(unallocated)* 7,368,344 689,873 817,435 (5,861,036) Business-Type activities: Nutrition services 359,682 238,245 118,348 0 (3,7361) Depreciation(unallocated)* 7,368,344 689,873 817,435 (5,861,036) Business-Type activities: Nutrition services 359,682 238,245 118,348 0 (3,7361) Depreciation(unallocated)* 7,368,344 689,873 817,435 (5,861,036) Business-Type activities: Non-instructional programs: Nutrition services 359,682 238,245 118,348 0 (3,7361) Depreciation(unallocated)* 7,368,344 689,873 817,435 (5,861,036) Business-Type activities: Non-instructional programs: Nutrition services 359,682 238,245 118,348 0 (3,7361) Depreciation(unallocated)* 9,368,344 689,873 817,435 (5,861,036) Business-Type activities: Non-instructional programs: Nutrition services 359,682 238,245 118,348 0 (3,7361) Depreciation(unallocated)* 9,368,245 118,348 0 (3,		,,			
AEA flowthrough	0	(69,609)			
Depreciation(unallocated)* 174,697 0 0 (174,697) Total governmental activities 7,368,344 689,873 817,435 (5,861,036) Business-Type activities: Non-instructional programs: Nutrition services 359,682 238,245 118,348 0 (3,000) Total business-type activities 359,682 238,245 118,348 0 (3,000) otal \$7,728,026 928,118 935,783 (5,861,036) (3,000) eneral Revenues & Transfers: Property tax levied for: General purposes Debt service \$1,695,817 General outlay \$151,482 Local option sales and services Unrestricted state grants Unrestricted investment earnings Other \$22,796 3 Transfers \$194,217 Transfers \$151,695,817	0				
Total governmental activities		(78, 952)			
Total governmental activities	0	0			
Total governmental activities 7,368,344 689,873 817,435 (5,861,036) Business-Type activities: Non-instructional programs: Nutrition services 359,682 238,245 118,348 0 (3,000) Total business-type activities 359,682 238,245 118,348 0 (3,000) Otal \$7,728,026 928,118 935,783 (5,861,036) (3,000) Eneral Revenues & Transfers: Property tax levied for: General purposes Debt service \$1,695,817 Capital outlay 151,482 Local option sales and services Unrestricted state grants Unrestricted investment earnings Other 22,796 3 Transfers \$194,217 Transfers (516)	0	(174,697)			
Business-Type activities: Non-instructional programs: Nutrition services Total business-type activities 8 7,728,026 928,118 935,783 (5,861,036) (3,000) eneral Revenues & Transfers: Property tax levied for: General purposes Debt service Capital outlay Local option sales and services Unrestricted state grants Unrestricted investment earnings Other Transfers 8 1,695,817 151,482 48,188 152,932 153,2932 154,217 1556)	0	(323,258)			
Non-instructional programs: Nutrition services Total business-type activities 359,682 238,245 118,348 0 (3,000) otal \$ 7,728,026 928,118 935,783 (5,861,036) (3,000) eneral Revenues & Transfers: Property tax levied for: General purposes Debt service Capital outlay Local option sales and services Unrestricted state grants Unrestricted investment earnings Other Transfers 359,682 238,245 118,348 0 (3,000) 928,118 935,783 (5,861,036) (3,000) 151,482 151,48	0 ((5,861,036)			
Non-instructional programs: Nutrition services Total business-type activities 359,682 238,245 118,348 0 (3,000) otal \$ 7,728,026 928,118 935,783 (5,861,036) (3,000) eneral Revenues & Transfers: Property tax levied for: General purposes Debt service Capital outlay Local option sales and services Unrestricted state grants Unrestricted investment earnings Other Transfers 359,682 238,245 118,348 0 (3,000) 928,118 935,783 (5,861,036) (3,000) 151,482 151,48					
Nutrition services Total business-type activities 359,682 238,245 118,348 0 (3,000) Otal \$7,728,026 928,118 935,783 (5,861,036) (3,000) eneral Revenues & Transfers: Property tax levied for: General purposes Debt service Capital outlay Local option sales and services Unrestricted state grants Unrestricted investment earnings Other Transfers 359,682 238,245 118,348 0 (3,000) 928,118 935,783 (5,861,036) (3,000) 151,482 15					
Total business-type activities 359,002 238,245 118,348 0 (3,000) otal \$7,728,026 928,118 935,783 (5,861,036) (3,000) eneral Revenues & Transfers: Property tax levied for: General purposes Debt service \$1,695,817 Capital outlay 151,482 Local option sales and services 48,188 Unrestricted state grants 528,291 Unrestricted investment earnings Other 22,796 3 Transfers 194,217 Transfers (516)					
State Stat	89)	(3,089)			
\$ 7,728,026 928,118 935,783 (5,861,036) (3,000000000000000000000000000000000000		(3,089)			
Property tax levied for: General purposes Debt service Capital outlay Local option sales and services Unrestricted state grants Unrestricted investment earnings Other Transfers (3,051,036) ((3/003/			
eneral Revenues & Transfers: Property tax levied for: General purposes Debt service Capital outlay Local option sales and services Unrestricted state grants Unrestricted investment earnings Other Transfers Eneral Revenues & Transfers \$ 1,695,817 \$ 151,482 48,188 48,188 528,291 3,052,932 0ther 22,796 3 Transfers	89) (5,864,125)			
Property tax levied for: General purposes Debt service \$ 1,695,817 Capital outlay 151,482 Local option sales and services 48,188 Unrestricted state grants 528,291 Unrestricted investment earnings 3,052,932 Other 22,796 3 Transfers 194,217		3,004,123,			
General purposes \$ 1,695,817 Debt service \$ 1,695,817 Capital outlay 151,482 Local option sales and services 48,188 Unrestricted state grants 528,291 Unrestricted investment earnings 3,052,932 Other 22,796 3 Transfers 194,217					
Debt service \$ 1,695,817 Capital outlay 151,482 Local option sales and services 48,188 Unrestricted state grants 528,291 Unrestricted investment earnings 3,052,932 Other 22,796 3 Transfers 194,217					
Capital outlay 151,482 Local option sales and services 48,188 Unrestricted state grants 528,291 Unrestricted investment earnings 3,052,932 Other 22,796 3 Transfers 194,217 (516) (516)					
Local option sales and services 48,188 Unrestricted state grants 528,291 Unrestricted investment earnings 3,052,932 Other 22,796 3 Transfers 194,217 (516) (516)		1,695,817			
Unrestricted state grants 528,291 Unrestricted investment earnings 3,052,932 Other 22,796 3 Transfers 194,217 (516)	0	151,482			
Unrestricted state grants 528,291 Unrestricted investment earnings 3,052,932 Other 22,796 3 Transfers 194,217 (516)	0	48,188			
Unrestricted investment earnings 3,052,932 Other 22,796 3 Transfers 194,217 (516)	0	528,291			
Other 22,796 3 Transfers 194,217 (516)	0 3	3,052,932			
Transfers 194,217 (516)	.2	23,108			
(516)	0	194,217			
tal general revenues	0				
		(516)			
5,693,2073:	2 5,	,693,519			
anges in net assets					
t assets beginning of year (167,829) (2,77	7) ((170,606)			
3,429,737 89,02	Э 3,	518,757			
s assets end of year \$ 3,261,908 86,24		348,151			

 $^{^{\}star}$ This amount excludes the depreciation that is included in the direct expense of various programs

TRI CENTER COMMUNITY SCHOOL DISTRICT BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2007

	_					
					Other	
					Nonmajor	
			Capital	Debt	Governmental	
	_	General	Projects	Service	Funds	Total
ASSETS						
Cash and pooled investments						
ISCAP(Note 4)	\$	1,068,309	. 0	0	0	1,068,309
Other		455,895	31,831	805	42,180	530,711
Receivables:						
Property tax:						
Delinquent		20,593	0	2,012	2,279	24,884
Succeeding year		1,957,720	0	157,680	158,656	2,274,056
Accrued ISCAP interest(Note 4)		13,627	0	0	0	13,627
Due from other governments		103,937	132,237	0	0	236,174
TOTAL ASSETS	\$	3,620,081	164,068	160,497	203,115	4,147,761
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable		60 500	۸	۸	0	(0.500
Salaries and benefits payable		68,523 599,943	0	0	0 221	68,523
ISCAP warrants payable(Note 4)			0	0		600,164
ISCAP accrued interest payable(Note 4)		1,070,000	0	-	0	1,070,000
ISCAP unamortized premium		12,056	•	0	0	12,056
Deferred revenue:		7,939	0	0	0	7,939
Succeeding year property tax		1,957,720	0	157,680	158,656	2 274 054
Total liabilities		3,716,181	0	157,680	158,877	2,274,056 4,032,738
TOTAL TIABILITIES	_	3, 110,101	- 0	137,000	130,011	4,032,730
Fund balances:						
Reserved for:						
Talented and gifted		35,890	0	0	0	35,890
Market factor		5,354	0	0	0	5,354
Additional teacher contract day		680	0	0	0	680
Debt service		0	0	2,817	0	2,817
Unreserved		(138,024)	164,068	0	44,238	70,282
Total fund balances		(96,100)	164,068	2,817	44,238	115,023
TOTAL LIABILITIES AND FUND BALANCES	\$	3,620,081	164,068	160,497	203,115	4,147,761
						

TRI CENTER COMMUNITY SCHOOL DISTRICT RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS JUNE 30, 2007

Total fund balances of governmental funds (page 15)

\$ 115,023

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.

5,069,204

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.

(6,720)

Long-term liabilities, including general obligation bonds, revenue bonds and lease payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

(1,915,599)

Net assets of governmental activites(page 13)

3,261,908

TRI CENTER COMMUNITY SCHOOL DISTRICT STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2007

					Other	
					Nonmajor	
			Capital	Debt	Governmental	
		C1	-			Motol
DEVENUE	_	General	Projects	Service	Funds	Total
REVENUES:						
Local sources:						
Local tax	\$	1,570,793	528,291	151,482	173,212	2,423,778
Tuition		536,115	0	0	0	536,115
Other		149,273	1,466	412	292,134	443,285
State sources		3,611,309	0	0	. 0	3,611,309
Federal sources		186,544	0	0	0	186,544
Total revenues		6,054,034	529,757	151,894	465,346	7,201,031
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction		2,971,777	0	0	10,077	2,981,854
Special instruction		632,454	0	0	, 0	632,454
Other instruction		367,985	0	0	280,239	648,224
other instruction		3,972,216	0	0	290,316	4,262,532
Command	_	3,972,210		V	290,310	4,202,332
Support services:					•	000 440
Student services		223,160	0	0	0	223,160
Instructional staff services		159,358	0	0	17,229	176,587
Administration services		827,648	0	0	16,987	844,635
Operation and maintenance of plant services		667,276	0	0	51,219	718,495
Transportation services		443,868	0	0	84,073	527,941
	_	2,321,310	0	0	169,508	2,490,818
Non-instructional programs:	_	270217010			103/000	2,130,010
Food service programs		0	0	0	7,198	7,198
		-		-		
Community service operations		6,338	0	0	0	6,338
		6,338	0	0	7,198 #	13,536
Other expenditures:						
Facilities acquisitions		0	154,516	0	4,500	159,016
Long-term debt:						
Principal		0	0	437,550	0	437,550
Interest and fiscal charges		0	0	78,178	0	78,178
AEA flowthrough		238,260	0	0	0	238,260
ABA TIOWCHIOUGH		238,260	154,516	515,728	4,500	913,004
m-t-1		<u> </u>				
Total expenditures		6,538,124	154,516	515,728	471,522	7,679,890
Excess(Deficiency) of revenues						
over(under) expenditures		(484,090)	375,241	(363, 834)	(6,176)	(478,859)
Other financing sources(uses):						
Issuance of bonds		0	390,000	0	0	390,000
Payment to escrow		0	0	(380,000)	0	(380,000)
Transfers in		0	0	733,991	0	733,991
			-			
Transfers out		(74,035)	(659,956)	0	(516)	(734,507)
Proceeds from lease		138,149	0	0	0	138,149
Total other financing sources(uses)		64,114	(269,956)	353,991	(516)	147,633
Change in fund balances		(419,976)	105,285	(9,843)	(6,692)	(331,226)
			•			
Fund balance beginning of year		323,876	58,783	12,660	50,930	446,249
J 1+4		,	/	. ,	-,	-,
Fund balance end of year	\$	(96,100)	164,068	2,817	44,238	115,023
		(20/200)	-0-/000	_, _,	/	0,000

TRI CENTER COMMUNITY SCHOOL DISTRICT RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES JUNE 30, 2007

Net change in fund balances - total governmental funds(page 17)

(331, 226)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 213,449	
Depreciation expense	(338,479)	
Loss on equipment disposal	(200)	(125, 230)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues as follows:

Issued	(528, 149)	
Repaid	817,550	289,401

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(774)

Changes in net assets of governmental activities (page 14)

(167,829)

TRI CENTER COMMUNITY SCHOOL DISTRICT STATEMENT OF NET ASSETS PROPRIETARY FUND JUNE 30, 2007

ASSETS	1	School Nutrition
Cash and pooled investments Inventories Capital assets, net of accumulated	\$	32,127 27,467
depreciation(Note 5) TOTAL ASSETS		50,613 110,207
LIABILITIES Salaries and benefits payable Unearned revenue TOTAL LIABILITIES		19,466 4,498 23,964
NET ASSETS Invested in capital assets Unrestricted TOTAL NET ASSETS	Ş	50,613 35,630 86,243

TRI CENTER COMMUNITY SCHOOL DISTRICT STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUND YEAR ENDED JUNE 30, 2007

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 238,245
OPERATING EXPENSES:	
Non-instructional programs:	
Salaries	165,655
Benefits	29,067
Services	1,612
Supplies	156,753
Depreciation	6,595
TOTAL OPERATING EXPENSES	359,682
OPERATING LOSS	(121, 437)
NON-OPERATING REVENUES:	
State sources	4,458
Federal sources	113,890
Interest on investments	312
TOTAL NON-OPERATING REVENUES	118,660
Change in net assets	(2,777)
Net assets beginning of year	89,020
Net assets end of year	\$ 86,243

TRI CENTER COMMUNITY SCHOOL DISTRICT STATEMENT OF CASH FLOWS PROPRIETARY FUND YEAR ENDED JUNE 30, 2007

		School Nutrition
Cash flows from operating activities: Cash received from sale of lunches and breakfasts Cash received from miscellaneous Cash payments to employees for services Cash payments to suppliers for goods or services Net cash used in operating activities	\$	237,251 869 (175,256) (130,710) (67,846)
Cash flows from non-capital financing activities: State grants received Federal grants received Net cash provided by non-capital financing activities	_	4,458 85,189 89,647
Cash flows from capital and related financing activities: Purchase of capital assets		(925)
Cash flows from investing activities: Interest on investments		312
Net increase in cash and cash equivalents		21,188
Cash and cash equivalents at beginning of year		10,939
Cash and cash equivalents at end of year	\$	32,127
Reconciliation of operating loss to net cash used in operating activities: Operating loss Adjustments to reconcile operating loss to net cash used in operating activities: Commodities consumed Depreciation Increase in inventories Increase in salaries and benefits payable Decrease in deferred revenue Net cash used in operating activities	\$	(121,437) 28,701 6,595 (1,046) 19,466 (125) (67,846)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets: Cash and pooled investments	\$	32,127

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$28,701.

TRI-CENTER COMMUNITY SCHOOL DISTRICT STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS JUNE 30, 2007

	Private Purpose Trust Scholarship		
Assets Cash and pooled investments Total assets	\$	42,541 42,541	
Liabilities Total liabilities		0	
Net assets Reserved for scholarships	\$	42,541	

TRI-CENTER COMMUNITY SCHOOL DISTRICT STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS YEAR ENDED JUNE 30, 2007

	Priva	te Purpose		
		Trust		
	Sch	olarship		
Additions:				
Local sources:				
Interest income	\$	2,338		
Deductions: Instruction: Scholarships awarded		1,853		
Change in net assets before other financing sources		485		
Other financing sources: Transfer in		516		
Change in net assets		1,001		
Net assets beginning of year	*******	41,540		
Net assets end of year	\$	42,541		

TRI CENTER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

(1) Summary of Significant Accounting Policies

The Tri Center Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Neola, Minden and Persia, Iowa, and the predominate agricultural territory in Harrison, Pottawattamie and Shelby Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Tri Center Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Tri Center Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Harrison, Pottawattamie and Shelby Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed

from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following major proprietary fund which is the School Nutrition Fund.

The Nutrition fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

<u>Property Tax Receivable</u> - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year.

Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

<u>Due from Other Governments</u> - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

<u>Inventories</u> - Inventories are valued at cost using the firstin, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

sset Class Amou		
Land Buildings	\$	1,000 1,000
Land improvements		1,000
Machinery and equipment: School Nutrition Fund equipment		500
Other machinery and equipment		1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

	Estimated Useful Lives
Asset Class	(In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

<u>Salaries and Benefits Payable</u> - Payroll and related expenditures corresponding to the current school year, which is payable in July and August, have been accrued as liabilities. Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

<u>Unearned Revenues</u> - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements in the support services function exceeded the amount budgeted.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2007 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered

open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in certificates of deposit as follows:

	Fa	ir Value
Certificates of deposit	\$	10,000

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The certificates of deposit are classified as Category 1, which means the investments are insured and held by the District in the District's name. Certificates of deposit are stated at fair value.

(3) Transfers

The detail of transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 659,956
Debt Service	General	74,035
Non-expendable trust	Expendable trust	516
Total		\$ 734,507

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating. entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2007 is as follows:

		Final		Accrued		Accrued
Series	Warrant Date	Warrant Maturity	Investments	Interest Receivable	Warrants Payable	Interest Payable
2006-07A 2007-08A	6/28/06 6/27/07	6/28/07 6/27/08	\$ 0 1,068,309	13,307 320	0 1,070,000	11,783 273
Total			\$ 1,068,309	13,627	1,070,000	12,056

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity during the year ended June 30, 2007, is the following:

	Balance			Balance
Series	Beginning of Year	Advances Received	Advances Repaid	End of Year
2006-07A	\$ 0	75,000	75,000	0

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

	Interest	Interest
	Rates on	Rates on
Series	Warrants	Investments
2006-07A	4.500%	5.676%
2007-08A	4.500%	5.455%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

		Balance ginning of Year	Increases	Decreases	Balance End of Year
Governmental activities: Capital assets not being depreciated: Land	s	12,669	0	0	12,669
Total capital assets not being depreciated		12,669	0	0	12,669
Capital assets being depreciated: Buildings		5,188,400	72,443	0	5,260,843
Land improvements		1,389,462	1,245	0	1,390,707
Machinery and equipment		1,700,319	139,761	32,000	1,808,080
Total capital assets being depreciated		8,278,181	213,449	32,000	8,459,630
Less accumulated depreciation for:					
Buildings		1,962,014	105,217	0	2,067,231
Land improvements Machinery and equipment		241,864 892,538	69,480 163,782	0 31,800	311,344 1,024,520
Total accumulated depreciation		3,096,416	338,479	31,800	3,403,095
rotar accamarated depreciation		3,030,410	330/413	51,000	3/103/033
Total capital assets being depreciated, net		5,181,765	(125,030)	200	5,056,535
Governmental activities capital assets, net	\$	5,194,434	(125,030)	200	5,069,204
		Balance			Balance
		Beginning			End
		of Year	Increases	Decreases	of Year
Business-type activities:					
Machinery and equipment	\$	95,038	925	896	95,067
Less accumulated depreciation		38,755	6,595	896	44,454
Business-type activities capital assets, net	\$	56,283	(5 , 670)	0	50,613

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 22,623
Other	13,318
Support services:	
Instructional staff	19,576
Administration	3,918
Operation and maintenance of plant	9,045
Transportation	 95,302
	 163,782
Unallocated depreciation	 174,697
Total governmental activities depreciation expense	\$ 338,479
Business-type activities: Food service operations	\$ 6 , 595

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	 Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds Revenue bond anticipation notes Revenue bonds Equipment lease	\$ 1,605,000 600,000 0	0 0 390,000 138,149	150,000 600,000 0 67,550	1,455,000 0 390,000 70,599	160,000 0 65,000 70,599
Total	\$ 2,205,000	528,149	817,550	1,915,599	295,599

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness is as follows:

Year	Bond Issue April 1, 2003							
Ending June 30,	Interest Rates		Principal	Interest	Total			
2008 2009 2010 2011 2012 2013 2014	3.85 3.75 3.85 3.75 3.85 3.75 3.85	% \$	165,000 170,000 175,000 185,000 190,000 200,000	47,680 43,280 38,165 32,725 27,125 21,020 14,560	207,680 208,280 208,165 207,725 212,125 211,020 214,560			
2015	3.75	_	210,000	7,560	217,560			
Total		\$	1,455,000	232,115	1,687,115			

Revenue Bonds Payable

During the year ended June 30, 2007, the District paid \$220,000 in principal of the \$600,000 outstanding of the revenue bond anticipation note indebtedness. This resulted in \$380,000 in principal of the revenue bond anticipation notes as outstanding.

The revenue bond anticipation notes had a maximum life of two years and were issued in anticipation of the District either accumulating enough cash to pay the entire amount of the revenue bond anticipation notes or replacing the remaining principal of the revenue bond anticipation notes with a longer term revenue bond issue.

On March 29, 2007, the District issued \$390,000 in revenue bonds to replace the remaining \$380,000 in revenue bond anticipation notes outstanding. The new revenue bonds have been added to the appropriate financial statements and schedules.

Details of the District's June 30, 2007 revenue bonded indebtedness are as follows:

Year			Bond	Issue	of May 29,	2007
Ending	Interest	:				
June 30,	Rates		Pri	ncipal	Interest	Total
<u> </u>						
2008	3.90	ક દ	\$ (65,000	11,681	76 , 681
2009	3.95		(60,000	13,040	73,040
2010	3.95		(65,000	10,670	75 , 670
2011	4.00		(65,000	8,103	73,103
2012	4.05		(65,000	5,503	70,503
2013	4.10		-	70,000	2,870	72,870
Total		\$	39	90,000	51,867	441,867

Equipment Lease

During the year ended June 30, 2007 the District was entered into a computer equipment lease. Payments for this lease will be made from the General Fund. Details of the District's equipment lease are as follows:

Year	Equipment Lease						
Ending June 30.	Interest Rates		Principal	Interest	Total		
Julie 30,	Nates	,	FIIICIPAI	Inceresc	IOCAI		
2008	3.90	왕 \$	70,599	3,436	74,035		

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$197,817, \$212,137, and \$197,364 respectively, equal to the required contributions for each year.

(8) Risk Management

Tri Center Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$238,260 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Deficit Fund Balance

At June 30, 2007, The Physical Plant and Equipment Levy (PPEL) Fund had a deficit undesignated fund balance of \$54,005 and the General Fund had a deficit undesignated fund balance of \$138,024 The Activity Fund also had one deficit account totaling \$2,183.

(11) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2007, disbursements in the support services function exceeded the amounts budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

TRI CENTER COMMUNITY SCHOOL DISTRICT BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND CHANGES IN BALANCES BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS

AND PROPRIETARY FUNDS REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2007

	(Governmental Fund Types	Proprietary Fund Type Total Budgeted Amounts				Final to Actual
		Actual	Actual	Actual	Original	Final	Variance
Revenues:							
Local sources	\$	3,403,178	238,557	3,641,735	3,641,813	3,641,813	(78)
State sources		3,611,309	4,458	3,615,767	3,627,018	3,627,018	(11, 251)
Federal sources		186,544	113,890	300,434	475,000	475,000	(174, 566)
Total revenues		7,201,031	356,905	7,557,936	7,743,831	7,743,831	(185, 895)
Expenditures:						77.70	
Instruction		4,262,532	0	4,262,532	4,500,245	4,500,245	237,713
Support services		2,490,818	0	2,490,818	2,411,500	2,411,500	(79, 318)
Non-instructional programs		13,536	359,682	373,218	393,500	393,500	20,282
Other expenditures		913,004	0	913,004	1,251,632	1,251,632	338,628
Total expenditures		7,679,890	359,682	8,039,572	8,556,877	8,556,877	517,305
Excess(deficiency) of revenues							
over(under) expenditures		(478, 859)	(2,777)	(481,636)	(813,046)	(813,046)	(331,410)
Other financing sources, net		147,633	0	147,633	1,505,000	1,505,000	1,357,367
Excess(deficiency) of revenues							
over(under) expenditures		(331,226)	(2,777)	(334,003)	691,954	691,954	1,025,957
Balance beginning of year		446,249	89,020	535,269	695,704	695,704	(160, 435)
Balance end of year	\$	115,023	86,243	201,266	1,387,658	1,387,658	(1,186,392)

TRI CENTER COMMUNITY SCHOOL DISTRICT NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with <u>Governmental Accounting Standards</u> Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2007, expenditures in the support services function exceeded budgeted amounts.

OTHER SUPPLEMENTARY INFORMATION

TRI CENTER COMMUNITY SCHOOL DISTRICT COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2007

•	Special Revenue						
		Manage-		Physical Plant &			
		ment	Student	Equipment			
		Levy	Activity	Levy	Total		
ASSETS		F.4. 000	10 106	/E 4 . C 4 E \	40 100		
<pre>Cash and pooled investments Receivables: Property tax:</pre>	\$	54,339	42,486	(54,645)	42,180		
Current year delinquent		1,639	0	640	2,279		
Succeeding year		110,000	0	48,656	158,656		
TOTAL ASSETS	\$	165,978	42,486	(5,349)	203,115		
LIABILITIES AND FUND BALANCES Liabilities:							
Salaries and benefits payable Deferred revenue:	\$	0	221	0	221		
Succeeding year property tax		110,000	0	48,656	158,656		
Total liabilities		110,000	221	48,656	158,877		
Fund balances: Unreserved	_	55,978	42,265	(54,005)	44,238		
TOTAL LIABILITIES AND FUND BALANCES	\$	165,978	42,486	(5,349)	203,115		

TRI CENTER COMMUNITY SCHOOL DISTRICT COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2007

	Special Revenue						
	Physical						
	Manage-		Plant &	Expend-			
	ment	Student	Equipment	able			
	Levy	Activity	Levy	Trust	Total		
REVENUES:			*				
Local sources:							
Local tax	\$ 125,024	0	48,188	0	173,212		
Other	10,701	281,376	57	0	292,134		
TOTAL REVENUES	135,725	281,376	48,245	0	465,346		
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	10,077	0	0	0	10,077		
Other instruction	0	280,239	0	0	280,239		
Support services:							
Instructional staff	0	0	17,229	0	17,229		
Administration services	16,987	0	0	0	16,987		
Operation and maintenance of plant services	51,219	0	0	0	51,219		
Student transportation	20,186	0	63,887	0	84,073		
Non-instructional programs:	•		•				
Food service operation	7,198	0	0	0	7,198		
Other expenditures:	,				·		
Facilities acquisition	0	0	4,500	0	4,500		
TOTAL EXPENDITURES	105,667	280,239	85,616	0	471,522		
			,		<u>, </u>		
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER)							
EXPENDITURES	30,058	1,137	(37, 371)	0	(6,176)		
OTHER FINANCING USES:							
Transfer out	0	0	0	(516)	(516)		
EXCESS(DEFICIENCY) OF REVENUES AND OTHER	20 050	1 100	177 771	/E1/C\	16 6001		
FINANCING USES OVER(UNDER) EXPENDITURES	30,058	1,137	(37,371)	(516)	(6,692)		
FUND BALANCE BEGINNING OF YEAR	25,920	41,128	(16,634)	516	50,930		
FUND BALANCE END OF YEAR	\$ 55,978	42,265	(54,005)	0	44,238		

TRI CENTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
				,
Drama	\$ 653	682	816	519
Cross Country	210	623	452	381
Boys Basketball	654	24,203	22,762	2,095
Footall	1	9,330	9,230	101
Soccer	82	5,990	6 , 005	67
Baseball	888	8 , 778	9,551	115
Boys Track	16	3 , 185	5 , 384	(2,183)
Golf	45	897	898	44
Wrestling	1	10,488	10,482	7
Girls Basketball	1,260	3,075	4,110	225
Volleyball	983	13,112	12,619	1,476
Summer Softball	1,002	5,465	6,334	133
Girls Track	55	3,680	2,692	1,043
General Activity	432	8,802	8,600	634
Class of 2007	3,810	1,893	4,558	1,145
Class of 2008	0	17,647	14,837	2,810
Book Fair	91	2,707	2,380	418
Leadership	234	13,626	10,188	3,672
Yearbook	2,284	11,010	9,301	3,993
Student Council-Persia	603	950	350	1,203
Student Council	1,063	14,686	14,538	1,211
Elementary Student Council	1,584	3,477	2,591	2,470
Musicals	8,061	8,480	11,215	5,326
Special Education Athletics	0	1,885	. 0	1,885
High School Cheerleaders	1,105	5,084	5,948	241
Drill Team	1,503	4,037	5,075	465
Elementary Art Club	1,738	2,934	3,641	1,031
National Honor Society	60	545	499	106
Astra	1,368	1,509	2,028	849
FFA	9,665	20,548	19,778	10,435
Vending	432	25,471	25,870	33
Misc Athletics	229	7,869	7,881	217
Music Boosters	1,016	1,346	2,264	98
Trip	 0	37,362	37,362	0
Total	\$ 41,128	281,376	280,239	42,265

TRI CENTER COMMUNITY SCHOOL DISTRICT SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION ALL GOVERNMENTAL FUND TYPES FOR THE LAST FOUR YEARS

	Modified Accrual Basis					
	Years Ended June 30,					
		2007	2006	2005	2004	
Revenues:						
Local sources:						
Local tax	\$	2,423,778	2,398,369	2,285,136		
Tuition		536,115	498,842	526 , 330	471,937	
Other		443,285	357,153	333,558	334,713	
Intermediate sources		0	0	18,862	0	
State sources		3,611,309	3,373,903	3,099,837	2,945,893	
Federal sources		186,544	179,102	314,822	397,216	
				0.550.545	6 5 4 0 1 4 0	
Total	\$	7,201,031	6,807,369	6,578,545	6,548,143	
Expenditures:						
Current:						
Instruction:						
Regular instruction	\$	2,981,854		2,582,164		
Special instruction		632,454	600,306	695 , 169	606 , 173	
Other instruction		648,224	618,370	520 , 746	564,314	
Support services:						
Student services		223,160	221,364	215,521	272 , 872	
Instructional staff services		176 , 587	219,886	188,093	158,631	
Adminstration services		844,635	667 , 394	631,440	576 , 396	
Operation and maintenance of plant services		718,495	743,051	578 , 909	553 , 285	
Transportation services		527 , 941	535 , 955	386 , 175	418,434	
Non-instructional programs		13,536	5,815	8,907	11,095	
Other expenditures:						
Facilities acquisitions		159,016	934,601	240,274	168,144	
Long-term debt:						
Principal		437,550	240,000	287,498	273 , 521	
Interest		78,178	77,545	114,560	127,779	
AEA flow-through		238,260	219,625	204,512	206,915	
Total	\$	7,679,890	7,753,956	6,653,968	6,444,210	

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the Tri Center Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Tri Center Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 14, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in <u>Government Auditing Standards</u>, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tri Center Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Tri Center Community School District's internal control over financial reporting.

Accordingly, we do not express an opinion on the effectiveness of Tri Center Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Tri Center Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Tri Center Community School District's financial statements that is more than inconsequential will not be prevented or detected by Tri Center Community School District's internal control. We consider the deficiencies in internal control described in Part I of the Findings Related to the General Purpose Financial Statements.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Tri Center Community School District's internal control.

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tri Center Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under <u>Government Auditing Standards</u>. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Tri Center Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Tri Center Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Tri Center Community School District and other parties to whom Tri Center Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Tri Center Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

No 16. Com Man. Johnson, P.C.

January 14, 2008

TRI CENTER COMMUNITY SCHOOL DISTRICT SCHEDULE OF FINDINGS YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Basic Financial Statements:

SIGNIFICANT DEFICIENCIES:

I-A-07 <u>Segregation of Duties</u> - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

<u>Recommendation</u> - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

<u>Response</u> - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

TRI CENTER COMMUNITY SCHOOL DISTRICT SCHEDULE OF FINDINGS YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

II-A-07 <u>Certified Budget</u> - District disbursements for the year ended June 30, 2007, exceeded the budgeted amount in the support services function.

<u>Recommendation</u> - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

 $\underline{\text{Response}}$ – We amended the budget for the correct amount in Capital Projects but failed to add that amount to the total other expenditures.

Conclusion - Response accepted.

- II-B-07 <u>Questionable Disbursements</u> We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-07 <u>Travel Expense</u> No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-07 <u>Business Transactions</u> No business transactions between the District and District officials were noted.
- II-E-076 <u>Bond Coverage</u> Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-07 <u>Board Minutes</u> We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-07 <u>Certified Enrollment</u> We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-07 <u>Deposits and Investments</u> We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-07 <u>Certified Annual Report</u> The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-J-07 <u>Financial Condition</u> The District had a deficit undesignated fund balance of \$54,005 in the Physical Plant and Equipment Levy (PPEL) Fund and a deficit undesignated fund balance in the General Fund of \$138,024. The District also had one deficit account balance in the Activity Fund totaling \$2,183.

<u>Recommendation</u> - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response - We will comply.

Conclusion - Response accepted.

II-K-07 Physical Plant and Equipment Levy (PPEL) Expenditures - According to Chapter 298.3 of the Code of Iowa, PPEL monies may be used for a purchase of a single unit of equipment exceeding \$500 per unit. We noted during our audit that the District purchased twelve sets of window blinds from the PPEL Fund for \$910. This expenditure, which is less than \$500 per single unit, is inappropriate from the PPEL Fund.

<u>Recommendation</u> - The District should review the Code of Iowa with regard to allowable expenditures from the PPEL Fund to avoid non compliance. The District should make a corrective transfer to the PPEL from the General Fund.

<u>Response</u> - We have allowable equipment which was paid from the General Fund that would have qualified as PPEL Fund expenditures. Therefore, we do not feel that a corrective transfer is necessary.

Conclusion - Response accepted.